(b) if so, the details thereof;

(c) the reasons of high cost production of public sector undertakings; and

(d) the steps taken by Government to cut down the cost of production?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHAJ. PATEL): (a) and (b) PSU Oil Marketing Companies (OMCs) are fixing the prices of sensitive petroleum products in consultation with the Government. Private oil companies are free to fix the prices of their products.

(c) and (d) The refining cost of crude oil depends upon configuration, technology, capacity, age, location, logistic etc. The steps taken by PSU refineries to reduce refining cost are given below:

(i) Yield maximisation of value added products (LPG, MS, ATF etc.)

(ii) Thrust on energy conservation and reduction in hydrocarbon losses.

(iii) Minimising the manpower cost through downsizing.

(iv) Adherence to preventive maintenance schedule to achieve the optimum maintenance cost.

(v) Control on overheads.

(vi) Expansion of capacity to achieve economies of scale.

Losses of Indian Oil Corporation on Sales

4050. SHRI TARIQ ANWAR: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is fact that Indian Oil is losing Rs. 80 crores per day on sales;

(b) if so, the details thereof;

(c) the reasons that Private Oil Companies are making profit and the Indian Oil is bearing losses; and

(d) the positive steps Government are taking in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) and (b) Indian Oil Corporation Ltd. has reported that the under realization being incurred by Indian Oil is approx. Rs. 90 crore per day on the sale of sensitive petroleum products.

(c) The subsidized petroleum products *i.e.* PDS Kerosene and domestic LPG are being marketed only by PSU Oil Marketing Companies (OMCs) for which they incur under-recoveries. Also the quantum of domestic sales of diesel and petrol by PSU OMCs, far exceeds the domestic sales of private companies. The PSU OMCs including Indian Oil are incurring under realization as there has been no revision in the selling prices of these sensitive petroleum products in line with the increasing international prices of petroleum products.

(d) The following steps have been taken by the Government to moderate the prices of sensitive petroleum products without hurting the interest of consumers:

- Roll back in exercise duty on petrol from 26% to 23% and on diesel from 11% to 8% from 19.8.2004 coupled with reduction in the customs duty on petrol and diesel from 20% to 15%. Similarly, excise duty on PDS kerosene was scaled down from 16% to 12% and customs duty on LPG and Kerosene from 10% to 5%.
- Customs and excise duty on PDS Kerosene and LPG packed domestic has been made nil from 1.3.2005. This has been done to reduce the under recoveries of oil companies on these products.
- The customs duty on petrol and diesel has been reduced from 15% to 10%. The customs duty on ATF, FO (for general use), LSHS (for general use) and Bitumen has been reduced from 20% to 10% from 1.3.2005. Simultaneously, the customs duty on crude has been reduced from 10% to 5%. The excise duty on petrol has been revised from 23% plus Rs. 7.50 per litre to 8% plus Rs. 13.00 per litre and on diesel from 8% plus Rs. 1.50 per litre to 8% plus Rs. 3.25 per litre.
- Sharing of losses of the OMCs on domestic LPG and PDS kerosene with the upstream companies namely ONGC, Oil and GAIL.

- In the Union Budget 2006-07, the Government categorised domestic LPG as 'declared goods' under Sales Tax Act. This will reduce the sales tax/VAT levied by States to 4%. This is also expected to marginally reduce the under-recoveries of oil marketing companies without increasing retail selling prices of domestic LPG
- In view of losses/under-recoveries suffered by Oil Marketing Companies (OMCs) in marketing LPG (domestic) and PDS Kerosene, during the financial year 2005-06, the Government has issued Bonds worth Rs. 11,500 crores to OMCs.

Price rise of crude oil in international market

†4051. SHRIMATI MAYA SINGH: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that as a result of price-rise of crude oil in the international market during the recent months, the Indian Oil Corporation is incurring heavy losses due to not increasing its prices in domestic market;

(b) if so, the percentage of price rise of crude oil in the international market during this period; and

(c) what is the percentage of burden, being borne by the Indian Oil Corporation thereby?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) Global prices of crude oil and petroleum products have been making new highs in the past two years. The international prices continue to spiral upwards unabated with Indian basket of crude oil having touched an all-time high of $ 71.13 per bbl on 2nd May 2006. This steep increase in prices in having major impact on the Oil Marketing Companies (OMCs) and Indian economy, as India imports about 76 percent of our crude oil requirement. The profit of Indian Oil Corporation Ltd. (IOCL) has declined substantially due to non-revision of prices in the domestic market in line with the increase in the international prices of crude oil. IOCL would have incurred heavy losses but for the subsidy sharing mechanism implemented by the Government by which

†Original notice of the question was received in Hindi.